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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, AUGUST 9, 2000

APPLICATION OF

UNITED CITIES GAS COMPANY
(a Division of Atmos Energy)

Case No. PUE000171

For General Increase in Rates

ORDER FOR NOTICE AND HEARING

On March 24, 2000, United Cities Gas Company (a Division of Atmos Energy) ("United Cities" or "the Company") filed an application requesting authority to increase its rates and charges for natural gas service, and to revise its tariff. The original application was incomplete and, following extensive discussions with the State Corporation Commission ("Commission") Staff, the Company filed a revised application on July 11, 2000. The Company filed an amendment to the revised application on July 13, 2000, and provided additional information to Commission Staff on July 17, 2000. The revised and supplemented application is now complete.

The proposed rates are designed to increase United Cities' total annual revenues by \$2,050,592. The proposal represents a 26% increase in the Company's non-gas margin, and an 8% increase in its total revenues. The Company's revised application and supporting testimony and exhibits are based on a test period

consisting of the twelve months ending September 30, 1999.

United Cities states that the proposed rates would allow the Company to earn a rate of return on a pro forma basis of 9.89%, compared to the 0.08% return earned during the test year.

United Cities proposes several revisions to its tariffs. The Company requests that its proposed rates and charges, and tariff revisions become effective, subject to refund, for service rendered on and after November 1, 2000.

For Schedules 610 (Residential Gas Service), 620 (Small Commercial and Industrial Gas Service), and 630 (Large Commercial and Industrial Gas Service), the Company proposes to replace a flat-rate commodity structure with a declining block commodity rate structure and increase the monthly customer charges. The Company also proposes to add a provision for transportation service to Schedules 620 and 630.

United Cities proposes increases to the customer and commodity charges in Schedule 640 (Industrial Firm and Optional Gas Service), Schedule 650 (Optional Gas Service), Schedule 692 (Cogeneration, Compressed Natural Gas, Prime Movers, Fuel Cell Service), and Schedule 693 (Gas Air Conditioning Service). The Company also proposes to add a provision for transportation service to Schedules 640 and 650

The Company proposes to delete Schedules 655 and 660 (Firm Transport), and Schedule 665 (Interruptible Transport) and to

incorporate their terms and provisions into its General Rules and Regulations. United Cities also proposes to revise the General Rules and Regulations to change the meter read assessment charge, to change the meter read intervals, to provide for free extensions of gas mains for new customers determined on an individual basis, and to provide a charge for installation of meter connections and meters.

NOW THE COMMISSION, having considered the application and the accompanying prefiled direct testimony and exhibits, is of the opinion that Staff should investigate the reasonableness of the proposed rates, charges, and revisions to the Company's tariff, and that a hearing should be scheduled to receive evidence relevant to the application. The Commission is of the further opinion that a Hearing Examiner should be appointed; that the Company's proposed rates, charges, and tariff revisions should be suspended for 150 days pursuant to § 56-238 of the Code of Virginia; and that a procedural schedule should be established for the filing of pleadings, testimony, and exhibits.

Accordingly, IT IS ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUE000171.

(2) The Company's proposed rates, charges, and tariff revisions are hereby suspended for a period of 150 days from the

date of filing of its revised application, and shall take effect on December 8, 2000, subject to refund with interest.

(3) Pursuant to Rule 7:1 of the Commission's Rules of Practice and Procedure ("Rules"), a Hearing Examiner is appointed to conduct all further proceedings in this matter.

(4) A public hearing before a Hearing Examiner shall be held on February 20, 2001, commencing at 10:00 a.m., in the Commission's Second Floor Courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia, for the purpose of receiving evidence relevant to the Company's application.

(5) The appropriate members of the Commission's Staff shall investigate the reasonableness of the Company's application and present their findings and recommendations in testimony at the February 20, 2001, public hearing.

(6) The Company forthwith shall make a copy of its application, prefiled testimony, and other documents filed in this matter available for public inspection during regular business hours at all offices where customer bills may be paid.

(7) On or before August 28, 2000, the Company shall complete publication of the following notice to be published as display advertising (not classified), once a week for two consecutive weeks in newspapers of general circulation within United Cities' service territory.

NOTICE TO THE PUBLIC OF AN APPLICATION
BY UNITED CITIES GAS COMPANY
(A DIVISION OF ATMOS ENERGY)
TO INCREASE ITS RATES AND CHARGES AND
TO REVISE ITS TARIFF
CASE NO. PUE000171

On July 11, 2000, United Cities Gas Company (a Division of Atmos Energy) ("United Cities" or "the Company") filed an application requesting authority to increase its rates and charges for natural gas service, and to revise its tariff. The proposed rates are designed to increase United Cities' annual revenues by \$2,050,592. The Company's application, supporting testimony, and exhibits are based on a test period consisting of the twelve months ending September 30, 1999.

United Cities proposes revisions to all its tariffs. The percentage increases in non-gas revenue for each class, as proposed in the Company's application, is shown below:

<u>Class</u>	<u>% Increase</u>
Residential (610)	36.44%
Small Commercial (620)	19.63%
Large Commercial (630)	27.45%
Industrial and Optional (640)	9.81%
Optional (650)	10.16%
Interruptible transport (665)	10.2%
Cogeneration (692)	24.70%
Air Conditioning (693)	3.4%

The Company's General Rules and Regulations also would be revised to: incorporate transportation terms and provisions; change the meter read assessment charge; change the meter read intervals; provide for free extensions of gas mains for new customers determined on an individual basis; and provide a charge for installation of meter connections and meters.

Interested persons are encouraged to review United Cities' application and supporting documents for detail of these and other tariff revisions proposed in the Company's application.

The Commission has suspended the Company's proposed rates, charges, and tariff revisions proposed in the Company's application through December 8, 2000.

PLEASE TAKE NOTICE that while the total revenue requirement that may be approved is limited to the amount requested by United Cities, individual rates and charges, revenue apportionment and the tariffs approved by the Commission may differ from those proposed by the Company.

The Commission has scheduled a hearing before a Hearing Examiner to begin at 10:00 a.m. on February 20, 2001, in the Commission's Second Floor Courtroom in the Tyler Building, 1300 East Main Street, Richmond, Virginia, to receive evidence relevant to the Company's application.

Individuals with disabilities who require an accommodation to participate in the hearing should contact the Commission at 1-800-552-7945 (voice) or 1-804-371-9206 (TDD) at least seven days before the scheduled hearing date.

A copy of the Company's proposed rates, charges, and tariff and accompanying materials are available for public inspection during regular business hours at all United Cities' offices where customer bills may be paid. A copy also is available Monday through Friday, 8:15 a.m. to 5:00 p.m. at the Commission's Document Control Center located on the First Floor of the Tyler Building at the address listed above.

Any person desiring to comment in writing on the application may do so by

directing such comments on or before November 14, 2000, to Joel H. Peck, Clerk of the Commission, c/o Documents Control Center, P.O. Box 2118, Richmond, Virginia 23218, and refer to Case No. PUE000171. Any person desiring to make a statement at the public hearing, either for or against the application, need only appear in the Commission's courtroom at 9:45 a.m. on the day of the hearing and identify himself as a public witness to the Commission's Bailiff.

Any person who expects to submit evidence, cross-examine witnesses, or otherwise participate in the proceedings as a Protestant pursuant to Rule 4:6 of the Commission's Rules of Practice and Procedure should promptly obtain a copy of the Order for Notice and Hearing from the Clerk of the Commission at the address set forth above for full details concerning the procedural schedule and instructions on participation.

All written communications to the Commission regarding this case should be directed to the Clerk of the Commission and should refer to Case No. PUE000171.

UNITED CITIES GAS COMPANY
(A DIVISION OF ATMOS ENERGY)

(8) United Cities shall forthwith serve a copy of this Order on the Chairman of the Board of Supervisors of each county in which the Company offers service, and/or the Mayor or Manager of every city and town (or equivalent officials in the counties, cities, and town having alternate forms of government) in which the Company offers service. Service shall be made by first-class mail or delivery to the customary place of business or to the residence of the person served.

(9) On or before September 11, 2000, the Company shall file with the Clerk of the Commission an original and fifteen (15) copies of any additional direct testimony and exhibits it intends to present at the public hearing, and make a copy of the same available for public inspection as provided in paragraph (6) herein.

(10) On or before October 9, 2000, any person desiring to participate as a Protestant, as defined in Rule 4:6, shall file with the Clerk of the Commission an original and fifteen (15) copies of a Notice of Protest as provided in Rule 5:16 (a) and shall serve a copy on the Company. A Notice of Protest shall be sent to Joel H. Peck, Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218. Service upon the Company shall be made on counsel for United Cities, Richard D. Gary, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074.

(11) Within five (5) days of receipt of any Notice of Protest, the Company shall serve on each Protestant a copy of all material now or hereinafter filed with the Commission.

(12) Any person desiring to comment in writing on United Cities' application may do so by directing such comments, on or before November 14, 2000, to Joel H. Peck, Clerk of the Commission, at the address set forth in Paragraph 10 above. Such

comments shall refer to Case No. PUE000171. Any person desiring to make a statement at the public hearing concerning the application need only appear in the Commission's Second Floor Courtroom at 9:45 p.m. on the day of the hearing and identify himself or herself to the Bailiff.

(13) Any person who expects to submit evidence, cross-examine witnesses, or otherwise participate in the proceeding as a Protestant, pursuant to Rule 4:6, shall file on or before November 14, 2000, an original and fifteen (15) copies of a Protest referring to Case No. PUE000171 with Joel H. Peck, Clerk, State Corporation Commission, at the address set forth in Paragraph 10 above. The Protestant shall simultaneously send a copy thereof to counsel for United Cities at the address set forth in Paragraph 10 above.

(14) The Protest shall set forth: (i) a precise statement of the interest of the Protestant in the proceeding; (ii) a full and clear statement of the facts which the Protestant is prepared to prove by competent evidence; and (iii) a statement of the specific relief sought and the legal basis therefor. Any corporate entity or governmental entity that wishes to submit evidence, cross-examine witnesses, or otherwise participate as a Protestant must be represented by legal counsel in accordance with the requirements of Rule 4:8 of the Commission's Rules of Practice and Procedure.

(15) On or before November 14, 2000, each Protestant shall file with the Clerk of the Commission an original and fifteen (15) copies of the prepared testimony and exhibits the Protestant intends to present at the public hearing, and shall simultaneously mail a copy of the same to counsel for United Cities at the address set forth in Paragraph 10 above and to other Protestants.

(16) The Company shall respond to written interrogatories within ten (10) calendar days after service. Protestants shall respond to written interrogatories of the Company, other Protestants, and Commission Staff within five (5) business days after service. Protestants shall provide the Company, other Protestants, and Commission Staff with any work papers or documents used in preparation of their filed testimony promptly upon request. Except as modified above, discovery shall be in accordance with Part IV of the Rules.

(17) On or before January 26, 2001, the Commission Staff shall file an original and fifteen (15) copies of the prepared testimony and exhibits it intends to present at the public hearing and shall serve a copy of each upon counsel for United Cities at the address set forth in Paragraph 10 above, and upon the other Protestants.

(18) On or before February 9, 2001, the Company shall file an original and fifteen (15) copies of all testimony it expects

to introduce in rebuttal to all direct prefiled testimony and exhibits; additional rebuttal evidence may be presented without prefiling, provided it is in response to evidence which was not prefiled but elicited at the time of the hearing, and provided further, the need for additional rebuttal evidence is timely addressed by motion during the hearing and leave to present said evidence is granted by the Hearing Examiner. A copy of the prefiled rebuttal evidence shall be sent to the Company and to all other parties to the proceeding.

(19) At the commencement of the hearing scheduled herein, the Company shall provide the Commission with proof of notice as required by paragraphs (7) and (8) of this Order.